

State of California
BOARD OF EQUALIZATION

CIGARETTE AND TOBACCO PRODUCTS TAX REGULATIONS

Regulation 4505. TRANSFERS OR SALES BETWEEN RELATED PARTIES.

Reference: Sections 22973.1, 22977.2, 22979, Business and Professions Code.

(a) Presumption – Not Arm's Length. When a violation or violations of the Act have occurred at a licensed location, the sale of the business between and among relatives (by blood or marriage, which relationships include, but are not limited to, spouses, parents, children and siblings), a partnership and its partners, a limited liability company or association and its members, a corporation and its shareholders, and persons and entities under their control, is presumed to be a sale for the primary purpose of avoiding the effects of violations of the Act and not at arm's length.

(b) This presumption may be rebutted only by clear and convincing evidence to the contrary.

(c) The purchaser has the burden of proving that the transaction was an arm's length transaction.

History: Adopted December 12, 2006, effective April 21, 2007.